URBAN PLUS GROUP

STATEMENT OF INTENT
2020/21 – 2022/23

Contents

Purpose

The purpose of this statement of intent is to:

a. State publicly the activities and intentions of this council-controlled organisation for the year and the objectives to which those activities will contribute;

b. Provide an opportunity for shareholders to influence the direction of the organisation; and

c. Provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

This Statement of Intent covers the year 1 July 2020 to 30 June 2021 and forecasts for the following two financial years. It has been prepared in accordance with Section 64 (1) of the Local Government Act 2002.

Introduction

Urban Plus Limited (UPL) is wholly owned by Hutt City Council (HCC) and operates as a Council Controlled Organisation (CCO) under the Local Government Act 2002. UPL was established effective 1 May 2007 with principle objectives as stated below under 'Our Business Objectives'.

UPL is a company registered under the Companies Act 1993 and is governed by the requirements of that Act and Section 6 of the Local Government Act 2002, and is covered by law and best practice. It also has responsibilities under the general law including the Resource Management Act 1991.

The Urban Plus Group comprises Urban Plus Limited (UPL), UPL Limited Partnership (UPLLP) and UPL Developments Limited (UPLDL).

Urban Plus Contributions to Council and Community Outcomes

Desirable outcomes expressed by Hutt City Council are numbered below with UPL's comments included:

1. **A safe community**
The UPL portfolio of residential housing is predominantly occupied by those considered to be the 'low-income elderly'. We feel that an elderly presence in any community contributes to a safer community by having people present in residential areas during the working day. This passive security presence provides 'stability' and value to a community by having people in the area while those of younger age may be at work or school.

2. **A strong and diverse economy**
Providing appropriate accommodation for our elderly where they can retain independent living with dignity contributes significantly to community diversity by retaining the elderly in that community.

3. **An accessible and connected city.**
The elderly can contribute significantly to the community and families by being actively involved in the community. This connectivity with the community spans generations and encourages understanding and tolerance between young and old.

4. **Healthy people**
UPL has a significant role in providing warmer, drier, healthier homes to the low-income elderly who may not be in a position to self-fund independent accommodation. This role, and the company's influence is expanding as increasing numbers of 'baby-boomers' retire. The forecast is for steadily

growing numbers of the over 65’s entering this sector as the population ages. The changing Lower Hutt demographic will put increased pressure on UPL to provide an increased number of housing units in the future. UPL has a significant role to play in appropriately housing this growing and aging demographic.

5. **A healthy natural environment**
UPL aims to be a good community citizen in the widest sense taking responsibility for project management, material selection and disposal in a way that minimises harm and impact on the environment. We endeavour to apply best practise in terms of passive design (insulation, double glazing and where possible, positioning for solar gain) to minimise energy consumption promoting the concept of warmer, drier healthier homes at minimal ongoing cost to the occupier.

6. **Actively engaged in community activities**
The provision of residential housing aimed at the low-income elderly is a community activity where we are using our skills, expertise and professionalism to assist those elderly that are in need of assistance in finding appropriate accommodation.

7. **Strong and inclusive communities**
Prior to embarking on any development, UPL considers the overall amenity value of the community including proximity to public transport, retail, medical centres, land contour etc. so our residents can live safely and in an engaged manner within the community retaining mobility and independence.

8. **A healthy built environment**
Our developments and management of the existing portfolio contribute to a healthy built environment by best practice property maintenance, developments that are sympathetic to community values, and are complimentary to desirable urban planning aspirations and planning rules. New properties are insulated, double glazed, warm, dry homes with accessibility issues minimised by passive design. It is recognised that those occupying warmer drier homes are naturally healthier, consume less energy in keeping those homes warm, and enjoy reduced doctors / hospital visits with increased longevity.

9. **A well-governed city**
UPL contributes to good governance by adopting best industry practice in terms of design, project management, property maintenance, fiscal controls, and being a ‘good corporate citizen’. We strive to ‘do-the-right-thing’ in all or dealings and contractual matters.

10. **Urban Growth Strategy**
UPL will assist HCC in the Urban Growth Strategy by applying knowledge, experience, expertise and skill from within UPL as and when called upon to assist the shareholder wherever possible to invigorate growth, development, and property related assistance.

Our Business Objectives

Section 59 of the Local Government Act 2002 provides:

Principal objective of council-controlled organisation

(1) The principal objective of a council-controlled organisation is to:

(a) Achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent;

(b) Be a good employer;

(c) Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates, and by endeavouring to accommodate or encourage these when able to do so; and

(d) If the Council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.

(2) In subsection 1.b, good employer has the same meaning as in clause 36 of Schedule 7 of the Local Government Act 2002.

In addition to the statutory objective, the objectives of the Company are to:

1.1 provide for the long term a growing portfolio of rental housing for the low-income elderly[1] consistent with, and to give effect to, Council's housing policy;

1.2 develop the housing portfolio in a manner which increases its property values;

1.3 ensure that the housing portfolio for the low-income elderly is appropriate for the changing needs of the community in terms of the objectives outlined in Council's housing policy;

1.4 operate as a successful and profitable undertaking;

1.5 purchase, develop, lease or sell the development property portfolio in a manner which maximises its value at a level of risk appropriate for the investment of funds;

1.6 comply with all legislative and regulatory provisions relating to its operations and performance;

1.7 ensure all assets owned by it are maintained to the best applicable standards;

1.8 maintain an effective business continuance plan;

1.9 maintain a register of current Council policies relevant to its business and operations; and

1.10 assist Council when asked to do so in its endeavours in terms of the Urban Growth Strategy.

These objectives will be monitored and where in conflict, these objectives will be pursued giving greater weight to the interests of maximising value to the Shareholders provided that in relation to the provision of social housing, value to the shareholders will include the consideration of social value.

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[1] 'Low-income elderly' in this context relates to an applicant for a residential tenancy, that at the time of application, is able to demonstrate:

i. that they are eligible for National Super (aged over 65 years – this being subject to review periodically by central Government)
ii. that they have no other income
iii. that they do not have cash or assets of such a magnitude that would mean they could make independent accommodation choices.

Nature and Scope of Activities to be undertaken by the Company

The principal objective of the Company is to:

1. Operate as a successful business, returning benefits to the shareholder;
2. Own, operate and maintain, to an acceptable standard, a portfolio of rental housing to provide community housing for the low-income elderly in accordance with normal commercial guidelines and the housing policy of Council;
3. Ensure that the housing portfolio for the low-income elderly is appropriate for the changing needs of the community in terms of the objectives outlined in Council's housing policy;
4. Develop property in preparation for sale or lease, which are declared surplus to the needs of Hutt City Council and which provide an appropriate return for the costs and risks of development;
5. Purchase, develop, lease or sell the development property portfolio in a manner which maximises its value at a level of risk appropriate for the investment of funds; and
6. Otherwise become involved in property-related transactions and property-technical advisory services on a commercial basis that support the Shareholders' vision for the future development of the city. This specifically includes assisting with progressing the Urban Growth Strategic Objectives.

Section 59 of the Local Government Act 2002 also provides that the principal objectives of a council-controlled trading organisation include the objectives of its Shareholders.

In order to meet our objectives we focus our work activity on asset planning and development, capital project management, operations management, risk management, staff development and corporate governance.

Other

UPL will continue to be involved in property-related transactions on a commercial basis that support the Shareholders' vision for the future development of the city.

UPL will continue to provide a wide range of strategic property advice and property consultancy when required to the Shareholder. Work has included:

1. Advice and general direction for Making Places projects;
2. Commercial leasing management advice for HCC property and subsidiaries;
3. Specific property advice (example – Community Facilities Trust – long-term maintenance planning);
4. Assist with strategic property acquisition as directed by the Shareholder.

Increasing Housing Supply

Housing Shortage: Greater Demand for Housing than Supply

The past two years has seen a significant increase in housing development in Lower Hutt. The remissions scheme provided by Council to promote infill housing and multi-unit developments has been one reason. Such growth however has resulted in a scarcity of available land for future housing developments on the valley floor. However, it is widely acknowledged that demand still continues to grow faster than supply. Accordingly, there is an expectation that the Shareholder will release land to meet increasing demand levels in all housing typologies in Lower Hutt.

UPL now has the opportunity to focus on areas in the market where demand is not being met with supply by other developers.

Release of Council-Owned Land for Development

UPL will work closely with the Shareholder throughout the 2020-21 financial year to assist in reviewing and identifying parcels of land that could enable further growth to achieve its Urban Growth targets and address the housing shortage currently being experienced in Lower Hutt.

Funding

The completion of recent market release developments has positioned the company to put funds towards its upcoming social housing projects. Whilst the funds will assist towards progressing these upcoming planned projects, the company's aspirations to grow the portfolio may require further funding. As such, UPL may seek alternative funding options such as strategic sell down of some of its existing stock, partnering with third party housing providers such as Community Housing Providers in a variety of structures or debt / equity financing.

As a general guide, expected current costs to deliver a single level, one-bedroom unit are approximately $320,000 incl GST. Two-bedroom townhouses suitable for medium density developments are expected to cost approximately $450,000 incl GST. These figures include assumed costs for land and all fees associated with delivering the projects.

Homelessness

Supporting Shareholder Objectives

The Shareholder is developing both its Homelessness Strategy and its Housing Strategy. UPL remains open and responsive to the outcomes of these strategies, and will support the Shareholder to achieve its objectives and planned outcomes.

Housing typologies for the Urban Plus Residential Portfolio

Historically, UPL's model was to intensify sites, both within its own existing portfolio and on land acquired via the market, with single bedroom unit developments. These generally were c. 40-48m2 in total dwelling size, and catered for the majority of our tenant base.

Future-looking, UPL is looking at providing both one and two bedroom units where amenity value is high, and it is financially viable to do so. This may be either single or two storey layouts.

As our core tenant is the low income elderly, there is little need to produce a wider variety of housing or greater number of bedrooms per dwelling at this stage – however, if the Shareholder provides a wider mandate, UPL will amend its design and specification accordingly.

Housing typologies for UPL Limited Partnership Developments

Previously, UPL's development entity provided a mix of housing typologies at its Fairfield Waters development by providing a mix of two and three bedroom 2-storey townhouses as well as three and four bedroom standalone homes. This variety appealed to a wide range of purchasers – from retirees and downsizers, to young professionals and families.

UPLLP's second major development, Parkview, provided a more generic product of twenty four single level townhouses with single (internally accessed) garages. The reasoning was to release a more traditionally accepted product to the market in Avalon rather than the multi-unit 2-storey townhouse design.

The next developments that are currently under construction are 'Central Park on Copeland' in Epuni and 'The Lane' in Waterloo. The developments are similar in that there are two and three bedroom townhouses, all with car-pads, being offered to the market at both developments. Central Park has an alternative three bedroom option with a single, internally accessed garage.

As the housing market changes UPLLP will remain agile, and be flexible with what type of housing product it releases into the market and for its own residential portfolio. We will continue to align with the Shareholder's Urban Growth Strategy (UGS) and its focus on meeting the UGS targets by 2032, as well as greater intensification on the valley floor via medium density developments.

UPL Residential Portfolio Growth

Molesworth Street Development

Earlier this financial year, UPL acquired the Molesworth Street reserve from the Shareholder. Additionally, UPL strategically purchased an adjacent residential property in Molesworth Street (Taita) to amalgamate with the reserve land, for greater utilisation of land and better yield of social housing units.

Whilst still in the planning stages, this project could provide approx. eighteen additional units for low income elderly or wider social housing purposes. It is anticipated these units will be completed in the 2021-22 financial year.

Infill of Existing Portfolio Properties

Plans are underway to infill underutilised areas of one of UPL's existing rental properties in Petone. The current designs are for twelve (multi-level) one bedroom units to be added to the existing twenty seven units at 17 Britannia Street. The additional units are viewed as a prudent intensification of an existing property and positive outcome for all tenants due to the high amenity value the property enjoys due to its close proximity to Jackson Street's commercial precinct. Completion of this infill project is planned to occur within the 2021-22 financial year.

Initiatives and Considerations

Affordable Housing

To enable a chance for first home buyers to enter onto the property ladder, UPL released to the market ten of its thirty four Central Park on Copeland townhouses at $550,000 each, and five of the twenty seven The Lane – Waterloo townhouses at between $535,000 and $550,000 each. Purchasers had a set of requirements to qualify prior to contracts being deemed unconditional which targeted owner occupiers rather than investors. The company saw these as affordable price points, which resulted in several sales and achieved its purpose for assisting first home buyers to attain home ownership in Lower Hutt. UPL will continue to release housing at affordable levels where it is prudently viable.

Lowering Carbon Emissions

The Shareholder has set a carbon zero objective, and as such UPL aims to align with this direction where possible. UPL has, and will continue to, incorporate features into its dwelling design and development site layouts that lower carbon emissions. Examples include using electricity or renewable sources of energy for space and water heating, minimising building waste, and making buildings ready for charging electric vehicles.

HomeStar 6 Rating

UPL will seek to incorporate design and environmental considerations into future projects, and align these with the HomeStar rating assessment to achieve no less than 6 stars in future housing development projects.

Central Government Initiatives

When sought by the Shareholder, UPL will look to support central government initiatives where it is financially, socially and environmentally prudent, and is to the overall betterment to Lower Hutt City. Further, UPL will seek to work with any form of social or community housing providers which promote the growth of housing in Lower Hutt.

Local Environmental Considerations

When undertaking future developments requiring significant decisions on land and water, UPL will take into consideration the relationship of Maori and their culture, traditions and their relationship to land and water.

The Performance Measures

The Company will meet the following measures for the next three years:

Rental Housing

1.1 Capital expenditure within budget.

1.2 Operational expenditure within budget.

1.3 Net Surplus before Depreciation and after Finance Expenses as a Proportion of the Net Book Value of Residential Land and Buildings at the Start of the Year – Greater than 3.5%.

1.4 Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90%.

1.5 Percentage of total housing units occupied by low-income elderly[2] greater than or equal to 85%.

1.6 Rentals charged shall not be less than 80% of 'market' rent.*

1.7 Increasing the portfolio size to 220 units by December 2021.

1.8 By 30 June 2021, assess the performance of the rental housing portfolio against the HomeFit® standard.

1.9 Any rental housing units purchased and not already utilising electricity or renewable sources of energy for space heating, water heating, and cooking facilities, shall be converted to utilise only electricity or renewable sources of energy within five years of acquisition.

1.10 New rental housing units constructed by UPL to utilise only electricity or renewable sources of energy for space heating, water heating and cooking facilities.

** With market rents rising at greater than inflation, the current 2019/20 FY 85% target is becoming increasingly harder for our tenants to afford. Subject to significant lifts on market rental income levels, the Board reserves to right to decide on the level of rentals charged per unit, on a case by case basis.*

Property Development

1.11 Capital expenditure within budget.

1.12 Operational expenditure within budget.

1.13 A return of not less than 10.0% after interest and tax on each project.

1.14 From 1 July 2019, any new developments not already resource consented as at 30 June 2019, shall only utilise electricity or renewable sources of energy for space heating, water heating and cooking facilities.

1.15 By the year ending 30 June 2021, at least one housing unit (standalone house or townhouse) shall achieve a certified HomeStarTM rating of at least six stars.

Professional Property Advice

1.16 Achieve a market return on additional services provided to the Shareholder.

UPL Developments Limited

1.17 Undertake, negotiate and execute tender processes for and on behalf of the Partnership and 'parent' company as required.

[2] 'Low-income elderly' in this context relates to an applicant for a residential tenancy, that at the time of application, is able to demonstrate:

i. that they are eligible for National Super (aged over 65 years – this being subject to review periodically by central Government)
ii. that they have no other income
iii. that they do not have cash or assets of such a magnitude that would mean they could make independent accommodation choices.

1.18 Facilitate civil and construction contracts for and on behalf of the Partnership and 'parent' company as required.

1.19 Facilitate payment of contract progress claims for Board approved contracts as well as payments to other suppliers engaged to provide services or goods to defined development projects.

1.20 Should UPLDL be used for future developments, the same performance measures apply as for Property Development (refer above).

1.21 Act as General Partner when a Limited Partnership structure is utilised for development projects.

UPL Limited Partnership

1.22 Develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds.

1.23 To perform business undertakings in common with Urban Plus Limited with a view to profit from development projects for the purposes of funding for the elderly housing portfolio.

1.24 Should UPLLP be used for future developments, the same performance measures apply as for Property Development (refer above).

Risk Management

Health and Safety in Employment
UPL will maintain best industry practice with ongoing reviews of its Health and Safety policies to ensure they remain current and 'leading edge' in terms of compliance.

Business Continuity
UPL will maintain a Business Continuity Plan for unforeseen circumstances so any event will have minimal impact on the day-to-day operation of the business.

Insurances
UPL will maintain appropriate insurances to mitigate risk of portfolio damage, business interruption and professional indemnity. This will include Directors and Office Bearers cover where appropriate.

Emergency preparedness
UPL will rehearse and maintain systems and procedures to best position itself to deal with emergency situations.

Commercial Risk
UPL will manage its affairs in a manner that minimises commercial risk recognising that some risk will need to be taken to achieve targets.

The Board of Directors

The Board of Directors consists of three members, with the Shareholder appointing council representation as Director(s) and Independent Directors. Directors serve three-year terms.

The Board is responsible for the proper direction, governance and control of UPL.

Unanimous approval of the Board is required for:

1.1 Employment of staff and creation of new positions outside of resolved budget limits;

1.2 Extraordinary transactions (entering into any contract or transaction except in the ordinary course of business);

1.3 Delegation of Directors' powers to any person;

1.4 Major transactions (entering into any major transaction);

1.5 Disputes (commencing or settling any litigation, arbitration or other proceedings which are significant or material to the Company's business);

1.6 Borrowings in a manner that materially alters the Company's banking arrangements, advancing of credit (other than normal trade credit) exceeding $5,000 to any person except for making deposits with bankers, or giving of guarantees or indemnities to secure any person's liabilities or obligations;

1.7 Sale of assets (sell or dispose of fixed assets for a total price per transaction exceeding $100,000 or a series of transactions aggregated exceeds $300,000); and

1.8 Capital expenditure (other than in the ordinary course of doing business) at a total cost to the Company, per transaction, exceeding $100,000 or a series of transactions aggregated exceeds $300,000.

The Board will require the agreement of the Shareholder for:

1.1 Any changes to the constitution;

1.2 Any increases in capital and the issue of further securities, share buybacks and financial assistance;

1.3 Any alteration of rights attaching to shares;

1.4 Any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company; and

1.5 Any 'major transactions' as that term is defined in the Companies Act 1993.

Ratio of consolidated Shareholders' funds to total assets

The target ratio for consolidated Shareholders' funds to total assets is at least 50%. Consolidated Shareholders' funds comprise share capital and accumulated reserves. Total assets comprise all tangible assets of the Company, the main component being housing and undeveloped land. The forecast consolidated Shareholders funds as at June 2020 is 70%. The share capital of $15.3 million consists of 27 million ordinary shares on issue, of which all are fully paid.

Accumulated profits and capital reserves

There is no intention to pay a dividend in the 2020/21 financial year or succeeding years.

Information to be provided to Shareholders

In each year UPL shall comply with the reporting requirements specified for CCO's under the Local Government Act 2002 and the Companies Act 1993 and regulations.

In particular, it shall provide:

Annually

1. Annually report, within two months after the end of each financial year, which will include:
2. A Statement of Intent detailing all matters required under the Local Government Act 2002;
3. An annual budget for the coming financial year, broken out by the two major areas of operation; Rental Housing and Land Development, including the assets employed and debt attributable to each area;
4. A written report on the financial operations of the Company to enable an informed assessment of its performance including a comparison against budget and the Statement of Intent and the Return on Equity and Return on Assets for the Period;
5. Financial statements comprising the Statement of Financial Position, Statement of Comprehensive Revenue and Expenses and Statement of Cash Flows;
6. A business plan indicating the nature of property development it proposes to undertake and the range of investment and estimated return it proposes to achieve;
7. An assessment of the current market for rental housings and the appropriateness of the current housing portfolio to meet the needs of the low-income elderly.

Half Yearly

8. Six-monthly, within two-months of the end of the six month reporting period.
9. A written report on the operations of the Company by the two major areas of operation to enable an informed assessment of its performance including a financial comparison against budget and the Statement of Intent and the Return on Equity and Return on Assets for the Period.
10. Financial statements comprising the Statement of Financial Position, Statement of Comprehensive Revenue and Expenses and Statement of Cash Flows.
11. Progress on activities outlined in the agreed business plan.

Share acquisition

There is no intention to subscribe for shares in any other company or invest in any other organisation. (NOTE: UPL has a subsidiary company UPL Developments Limited).

Compensation from local authority

It is not anticipated that the company will seek compensation from any local authority other than in the context of normal commercial contractual relationships.

NB: if a CCO has undertaken to obtain or has obtained compensation from its Shareholders in respect of any activity, this undertaking or the amount of compensation obtained will be recorded in:

1. The annual report of the council-controlled organisation; and
2. The annual report of the local authority.

Equity value of the shareholders' investment

For the year ended 30 June 2021, the estimated net value of the Shareholder's investment in Urban Plus Group will be $42.810 million.

Financial Forecasts

Planning and programming for development projects will be based on exceeding the agreed minimum financial performance thresholds of greater than 3.5% in terms of residential portfolio returns (see Performance Measure 1.3 above), and 10.0% after interest and tax (see 1.13 above) for commercial developments. Each development project will require the approval of the Board to ensure strategic fit and achievement of the minimum rate of return.

The current volatility of the property market and anticipated future interest rate increases has resulted in considerable uncertainty in terms of what projects will come available, and what sales might result from those projects. The financial statements within this Statement of Intent therefore exclude potential development projects. Details of potential development projects will be included in the regular reporting to the Board and Shareholder.

The most recent residential development project was Parkview, in Avalon. The project consisted of the construction and sale of twenty four stand-alone townhouses. The project was completed towards the end of the second quarter of the 2019/20 financial year, and cost $10.8M, and realised a pre-tax net gain of $4.5M. This commercial development project was managed by UPL Developments Limited – a wholly owned subsidiary of UPL providing property development management services – through UPL Limited Partnership – a partnership between UPL Limited Partnership (as General Partner) and UPL (as Limited Partner).

The success of the Parkview development will enable UPL to not only strengthen its financial position, but also to reinvest the profits of the development in to its residential housing portfolio in order to achieve the company goal of 220 residential units by December 2021.

The company's current development projects which are both in the construction phase are Central Park on Copeland and The Lane, Waterloo. The first mentioned is a thirty-four townhouse development on part of the former Copeland Street Reserve land in Epuni which is forecast to have a pre-tax net gain of $4.3m. The latter is a twenty-seven townhouse development in Waterloo – on land owned by UPL which is forecast to have a pre-tax net gain of $3.3m. All sixty-one townhouses are now sold, and are programmed to be completed within the 2020-21 financial year.

The planned Jackson Street apartments remain on hold. UPL is reviewing construction costs, as well as seeking opportunities in the market for joint venture options with other social / community housing providers where ownership could be transferred; but end-result social housing options are still attained. Such an outcome will provide the planned outcome, but frees UPL to progress other opportunities to continue growth in other areas of Lower Hutt.

The original target date for UPL to achieve 220 rental units was 30 June 2020. This target date will not be achieved based on the current development programme with only 189 units projected as at 30 June 2020. The target of 220 units is now expected to be achieved by December 2021. However during this time frame UPL will have developed and sold to the private market, 105 houses, the profits from which will fund the growth in UPL's rental portfolio without requiring ratepayer assistance.

The financial forecasts, the projected number of rental units, and the numbers of houses developed and sold to the market over the period covered by this SOI is based on the following 4 year development programme:

UPL Rental Portfolio	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
SOI Year	Year -2	Year -1	Year 0	Year 1	Year 2	Year 3
Opening Number		137	189	189	189	227
Boothby Street - purchase		7				
17 Britannia Street - purchase		27				
17 Britannia Street - build					10	
38 Britannia Street - purchase		18				
Molesworth Street - build					18	
The Next Development - build					10	10
Jackson Street						
7 Britannia Street (current Library site)						
Closing Number	**137**	**189**	**189**	**189**	**227**	**237**

UPL Developments	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**Total**	**Sales to market**		
SOI Year	Year -2	Year -1	Year 0	Year 1	Year 2	Year 3		**<$550k**	**>$550k**	**Total**
Fairfield Waters	14	6					20	6	14	20
Park View		6	18				24	0	24	24
Central Park on Copeland		-2		34			32	10	24	34
The Lane		-12		27			15	10	17	27
	14	-2	18	61	0	0	91	26	79	105
Net contribution to Urban Growth Strategy target	**14**	**50**	**18**	**61**	**38**	**10**	**191**			

The original 220 rental units target could be achieved earlier but this would require additional funding from the Shareholder either through an equity injection or approving increases to UPL's available credit lines, i.e., loans.

Until a decision has been made on UPL's Jackson Street site, this development opportunity has been excluded from UPL's financial forecasts.

No provision has been made in the financial forecasts for possible gains from property revaluations. Any gains would not have any impact on cash/debt but would result in deferred tax liabilities which would remain until the underlying properties are sold by UPL.

Consolidated Statement of Financial Performance

For the Year Ended 30 June	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Plan	Plan
REVENUE					
Rental Revenue	1,859,965	2,277,118	2,343,751	2,391,833	2,437,101
Property Management Fees	237,129	-	-	-	-
Other Management Fees	-	-	-	-	-
Finance Revenue	85,379	-	-	-	-
Commercial Development Sales	5,897,555	12,657,062	32,584,783	-	-
Gain on Sale of Property, Plant and Equipment	-	109,881	-	-	-
Other Revenue	200,174	-	-	-	-
Total Revenue	**8,280,202**	**15,044,061**	**34,928,533**	**2,391,833**	**2,437,101**
EXPENSES					
Personnel Expenses	844,264	798,479	812,520	826,830	841,441
Rates	165,901	170,878	176,859	183,049	208,771
Repairs & Maintenance	277,330	282,877	282,877	282,877	311,716
Insurance	134,492	141,217	169,460	177,933	205,877
Specialist Services	215,045	106,004	106,004	106,004	106,004
Operational Contracts	60,465	67,944	67,944	67,944	67,944
HCC Support Costs	85,000	136,184	138,900	141,672	144,504
Other Operating Expenses	273,966	272,900	264,370	264,840	265,340
Asset Write-Offs	-	-	-	-	-
Agents Fees & Marketing	308,813	272,883	449,696	-	-
Cost of Commercial Development Sales	4,005,658	6,468,257	22,681,018	-	-
Total Expenses	**6,370,934**	**8,717,622**	**25,149,647**	**2,051,148**	**2,151,596**
OPERATING SURPLUS/(DEFICIT)	**1,909,268**	**6,326,439**	**9,778,886**	**340,685**	**285,505**
Depreciation	628,517	638,691	643,343	703,898	844,836
Finance Expenses	470,582	682,240	592,289	4,512	26,250
NET SURPLUS/(DEFICIT) before Tax	**810,169**	**5,005,508**	**8,543,254**	**(367,725)**	**(585,582)**
Income Tax (Expense)/Benefit	(153,731)	-	-	-	-
SURPLUS/DEFICIT after TAX	**963,900**	**5,005,508**	**8,543,254**	**(367,725)**	**(585,582)**
Other Comprehensive Revenue and Expenses					
Gain on Property Revaluation	4,030,002	-	-	-	-
Less: Tax on Revaluation	369,576	-	-	-	-
Total Other Comprehensive Revenue and Expenses	4,399,578	-	-	-	-
TOTAL COMPREHENSIVE REVENUE and EXPENSES	**5,363,478**	**5,005,508**	**8,543,254**	**(367,725)**	**(585,582)**

Note: Losses in 2022 and 2023 are based on the assumption no future developments for sale to market are initiated with no reduction in associated costs.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Plan	Plan
Balance at 1 July	**23,897,764**	**29,261,242**	**34,266,750**	**42,810,005**	**42,442,279**
Total Comprehensive Revenue and Expenses for the Year	5,363,478	5,005,508	8,543,254	(367,725)	(585,582)
Balance at 30 June	**29,261,242**	**34,266,750**	**42,810,005**	**42,442,279**	**41,856,698**

Consolidated Statement of Financial Position

As at 30 June	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Plan	Plan
ASSETS					
Current Assets					
Cash & Cash Equivalents	367,271	297,016	4,739,685	584,873	409,815
Debtors & Other Receivables	60,248	32,717	32,717	32,717	32,717
Inventories	9,200,230	14,900,191	0	0	0
Total current assets	9,627,749	15,229,924	4,772,402	617,590	442,532
Non-Current Assets					
Property, Plant & Equipment	33,884,552	33,475,973	33,067,344	38,989,594	42,415,267
Assets Under Construction	1,809,697	2,392,435	7,916,602	5,811,113	1,809,696
Loan to Related Party	-	-	-	-	-
Total non-current assets	35,694,249	35,868,408	40,983,946	44,800,707	44,224,963
TOTAL ASSETS	**45,321,998**	**51,098,332**	**45,756,349**	**45,418,297**	**44,667,495**
LIABILITIES					
Current Liabilities					
Creditors & Other Payables	750,548	1,527,938	1,042,700	322,373	157,153
Employee Entitlements	11,127	11,127	11,127	11,127	11,127
Other Liabilities	445,339	38,776	38,776	38,776	38,776
Total Current Liabilities	1,207,014	1,577,841	1,092,603	372,276	207,056
Non-Current Liabilities					
Employee Entitlements	29,017	29,017	29,017	29,017	29,017
Borrowings	13,000,000	13,400,000	-	750,000	750,000
Deferred Tax Liability	1,824,724	1,824,724	1,824,724	1,824,724	1,824,724
Total Non-Current Liabilities	14,853,741	15,253,741	1,853,741	2,603,741	2,603,741
TOTAL LIABILITIES	**16,060,755**	**16,831,582**	**2,946,344**	**2,976,017**	**2,810,797**
NET ASSETS	**29,261,243**	**34,266,750**	**42,810,005**	**42,442,279**	**41,856,698**
EQUITY					
Retained Earnings	(2,878,711)	2,126,796	10,670,051	10,302,325	9,716,744
Share Capital	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000
Revaluation Reserve	16,839,954	16,839,954	16,839,954	16,839,954	16,839,954
TOTAL EQUITY	**29,261,243**	**34,266,750**	**42,810,005**	**42,442,279**	**41,856,698**

Consolidated Statement of Cash Flows

For the Year Ended 30 June	2019	2020	2021	2022	2023	2024
	Actual	Forecast	Budget	Plan	Plan	Plan
CASH FLOWS from OPERATING ACTIVITIES						
Cash was provided from:						
Receipts from Rent and Leases	1,859,965	2,764,710	2,612,811	2,401,393	2,447,161	2,500,297
Receipts from Management Fees	237,129	-	-	-	-	-
Receipts from Other Revenue	200,174	-	-	-	-	-
Interest Received	85,379	107,396	104,842	-	-	-
Receipts from Commercial Development Sales	5,897,555	12,657,062	32,584,783	-	-	-
	8,280,202	15,529,169	35,302,435	2,401,393	2,447,161	2,500,297
Cash was applied to:						
Payments to Employees	(844,264)	(798,479)	(812,520)	(826,830)	(841,441)	(856,340)
Payments to Suppliers	(799,863)	(2,697,749)	(1,816,295)	(1,217,187)	(1,312,361)	(1,342,487)
Interest Paid	(470,582)	(682,240)	(592,289)	(4,512)	(26,250)	(26,322)
Tax Paid	-	-	-	-	-	-
Costs of Commercial Development Sales	(1,783,404)	(11,644,237)	(9,202,025)	(161,187)	-	-
	(3,898,113)	(15,822,706)	(12,423,129)	(2,209,715)	(2,180,052)	(2,225,149)
Net Cash Flows from Operating Activities	**4,382,089**	**(293,537)**	**22,879,306**	**191,677**	**267,110**	**275,148**
CASH FLOWS from INVESTING ACTIVITIES						
Cash was provided from:						
Sale of Property, Plant and Equipment	2,847,663	586,957	-	-	-	-
	2,847,663	586,957	-	-	-	-
Cash was applied to:						
Purchase and Construction of Property, Plant and Equipment	(60,301)	(763,675)	(5,036,636)	(5,096,490)	(442,168)	(275,128)
	(60,301)	(763,675)	(5,036,636)	(5,096,490)	(442,168)	(275,128)
Net Cash Flows from Investing Activities	**2,787,362**	**(176,718)**	**(5,036,636)**	**(5,096,490)**	**(442,168)**	**(275,128)**
CASH FLOWS from FINANCING ACTIVITIES						
Cash was provided from:						
Proceeds from Borrowings	-	400,000	7,000,000	750,000	-	-
	-	400,000	7,000,000	750,000	-	-
Cash was applied to:						
Repayment of Borrowings	-	-	(20,400,000)	-	-	-
Repayment of Advance from Hutt City Council	(149,379)	-	-	-	-	-
	(149,379)	-	(20,400,000)	-	-	-
Net Cash Flows from Financing Activities	**(149,379)**	**400,000**	**(13,400,000)**	**750,000**	**-**	**-**
NET INCREASE/(DECREASE) in CASH and CASH EQUIVALENTS	**7,020,072**	**(70,255)**	**4,442,670**	**(4,154,812)**	(175,058)	20
Cash and Cash Equivalents at the Beginning of the Year	(6,652,801)	367,271	297,016	4,739,685	584,873	409,815
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**367,271**	**297,016**	**4,739,685**	**584,873**	**409,815**	**409,835**

Statement of Accounting Policies

UPL will apply the following accounting policies consistently during the year and apply these policies to the statement of intent. In accordance with the New Zealand Institute of Chartered Accountants Financial Reporting Standard 42 (FRS 42), the following information is provided in respect of the statement of intent.

Cautionary note

The statement of intent's forecast financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

Nature of prospective information

The financial information presented consists of forecasts that have been prepared on the basis of best estimates and assumptions on future events that Urban Plus Limited expects to take place.

Statement of compliance with International Financial Reporting Standard

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for public benefit entities.

Reporting entity

UPL is a company registered under the Companies Act 1993 and a council-controlled trading organisation as defined by Section 6 of the Local Government Act 2002. Hutt City Council is the only shareholder. The company was incorporated in New Zealand in 13 December 1996 as De Luien Developments Limited, changed its name to Centre City Plaza Limited on 27 June 1997, changed its name to Hutt Holdings Limited on 20 January 2003 and finally changed its name to Urban Plus Limited on 25 May 2007.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

For purposes of financial reporting, UPL is a public benefit entity.

Reporting period

The reporting period covers the 12 months from 1 July 2020 to 30 June 2021. Comparative projected figures for the year ended 30 June 2022 and 30 June 2023 are provided.

Specific accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The measurement basis applied is historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

Judgements and estimations

Preparing financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sales of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Property sales are recognised on settlement date, along with the related expenses

Interest income is recognised using the effective interest method.

Property, plant and equipment

On transition to NZ IFRS assets were recorded at cost less accumulated depreciation and impairment losses.

Revaluation
Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Additions
Expenditure of a capital nature of $500 or more has been capitalised. Expenditure of less than $500 has been charged to operating expenditure. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to UPL and the cost of the item can be measured reliably.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the Statement of Comprehensive Income.

Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to UPL and the cost of the item can be measured reliably.

Depreciation
Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost (valuation) of the assets to their estimated residual values over their useful lives. The straight line depreciation rates are as follows:

Estimated economic lives	Years	Rate
Buildings	5 - 65	1.54% - 20.00%
Plant and equipment	8 - 11	9.09% - 12.50%
Leasehold improvements	4 - 5	20.00% - 25.00%

The residual value and useful life of an asset is reviewed and adjusted if applicable at each financial year end.

Intangible assets

Software acquisition and development
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by UPL, are recognised as an intangible asset.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Estimated economic lives	Years	Rate
Computer software	2.8	36%

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the Statement of Comprehensive Income.

Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed exclusive of GST.

Employee entitlements

Short-term entitlements
Employee benefits that UPL expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

UPL recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that UPL anticipates it will be used by staff to cover those future absences.

UPL recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Income tax

Income tax for the period is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Property intended for sale

Property previously held but now being sold as it is no longer required is classified as a property held for sale.

This classification is used where the carrying amount of the property will be recovered through sale, the property is available for immediate sale in its present condition and sale is highly probable.

Property held for sale is recorded at the lower of the carrying amount and fair value less costs to sell. From the time a property is classified as held for sale, depreciation is no longer charged on the improvements.

Where property is held for sale or for development for sale, in the ordinary course of business, it is classified as inventory. Such property is recorded at the lower of cost and net realisable value (selling price less costs to complete and sale costs). Any write-downs to net realisable value are expensed in the net surplus/(deficit) for the year.

Leased assets

Operating Leases
Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease payment.

Finance Leases
The Company has not entered into any material finance leases.

Financial instruments

The Company is party to financial instrument arrangements as part of its normal operation. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Income.

All financial instruments are recognised in the Statement of Financial Position on the basis of the Company's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at fair value other than those specifically identified in the Notes to the financial statements.

Urban Plus Registered Office and Contact Details for Key Officers

Registered office	30 Laings Road, Lower Hutt 5010
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Telephone	04 569 1000